

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2005

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SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand County Cemetery Maintenance District
P.O. Box 64
Moab, Utah 84532

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand County Cemetery Maintenance District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand County Cemetery Maintenance District as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 30, 2006 on our consideration of Grand County Cemetery Maintenance District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management, Discussion and Analysis as listed in the financial section of the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

June 30, 2006

**GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Our discussion and analysis of Grand County Cemetery Maintenance District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

- ❖ The District's net assets increased \$3,699 as a result of this year's operations. Net assets of our governmental activities (the only activity that the District has) increased by 0.014 percent.
- ❖ Total expenses of \$181,076 were \$3,699 less than the revenues received of \$184,775 for governmental activities.
- ❖ Property tax revenue for the year ended December 31, 2005 was \$164,334. This was an increase of \$3,610 from the year ended December 31, 2004.
- ❖ The General and Capital Project Funds reported a deficiency of \$24,623 and an excess of \$10,556 respectively.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports, Statement of Net Assets and the Statement of Activities (on pages 9 and 10), provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 9. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps determine if the District is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of whether the financial position of the District is improving or deteriorating.

REPORTING THE DISTRICT AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, the District shows all of the activities in one fund.

Governmental activities—All of the District's basic services are reported here, including the general and administration cost. Charges for services and property tax revenues finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. The District established a fund to help it control and manage money for a particular purpose (capital projects) and to show that it is meeting legal responsibilities for using taxes, grants, and other money. The District is operated with governmental funds, which use a different accounting approach.

Governmental *funds*—All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation on page 12, following the fund financial statements.

The District as Trustee

The District does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The District's Statement of Net Assets, which increased during the current calendar year, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. The analysis on the following pages, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Government-wide financial statements (Continued)

Table 1
Net Assets

	Governmental Activities 2004	Governmental Activities 2005
Current and other assets	\$ 188,335	\$ 173,936
Capital assets	78,362	97,718
Total assets	\$ 266,697	\$ 271,654
Current liabilities	\$ 2,100	\$ 3,358
Total liabilities	\$ 2,100	\$ 3,358
Net assets:		
Invested in capital assets, net of debt	\$ 78,362	\$ 97,718
Restricted for:		
Capital projects	46,525	57,082
Unrestricted	139,710	113,496
Total net assets	\$ 264,597	\$ 268,296

Net Assets of the District's governmental activities increased by 0.014 percent (\$268,296) compared to \$264,597). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$113,496 at the end of the year. These net assets are used to finance the continuing operations of providing services to the District.

Government-wide financial statements (Continued)

Table 2
Changes in Net Assets

	Governmental Activities	Governmental Activities
	2004	2005
Revenues		
Program Revenues:		
Charges for services	\$ 9,817	\$ 12,943
General Revenues:		
Taxes	160,724	164,334
Investment earnings	5,495	3,705
Other revenues	501	3,793
Total revenues	\$ 176,537	\$ 184,775
Program Expenses		
General government	\$ 181,076	\$ 181,076
Total expenses	\$ 174,768	\$ 181,076
Change in net assets	\$ 1,769	\$ 3,699
Net Assets - beginning	\$ 262,828	\$ 264,597
Net Assets - ending	264,597	268,296
	\$ 1,769	\$ 3,699

The District's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to purchase necessary supplies and equipment that are appropriate and deemed beneficial.

Governmental Activities

Revenues for the District's governmental type activities increased by 4.5 percent, while total expenses increased 3.5 percent. Charges for services increased and property tax revenues increased slightly. The largest source of funds for the current year was property tax revenue. Net assets for governmental activities

increased \$3,699 in 2005.

Governmental Activities (continued)

The cost of all governmental activities this year was \$181,076. As shown in the Statement of Activities on page 10, the amount that charges for services revenue ultimately paid for these activities, was minimal. Most of the cost of governmental activities was paid by property tax revenues. Overall, the District's governmental program revenues, including fees for services, increased in 2005 from \$9,817 to \$12,943.

Costs of the District's are all centered within one program—general government. The net cost of expenditures (over) or under specific program revenues shows the financial burden that utilizes the tax revenue and other miscellaneous revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original budget was adopted on December 16, 2004 and was not adjusted. The actual charges for expenditures were \$153,600, which was \$33,400 below the budgeted amount. An operating transfer to the Capital Projects Fund in the other financing sources (uses) of (\$55,000) was not budgeted in the original budget. The most significant negative variance (\$55,000) occurred in other financing sources (uses). Resources for revenues were \$180,651, which was \$5,216 above the budgeted amount. The most significant negative variance \$(2,593) occurred in interest revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2005, the District had \$97,718 invested in a broad range of capital assets, including land, improvements, and equipment (see Table 3 below). This amount represents a net increase (including additions and deletions) of \$19,356, or a 19.8 percent increase over the previous year.

Table 3
Capital Assets at Year-End
(Net of Depreciation)
December 31, 2005

	Governmental Activities	Governmental Activities
	2004	2005
Land	\$ 10,147	\$ 10,147
Improvements	21,072	18,689
Equipment	47,143	68,882
Total asset activities	<u>\$ 78,362</u>	<u>\$ 97,718</u>

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Major capital expenditures during the current calendar year were the following:

Backhoe	\$ 42,270
Computer	<u>2,972</u>
Paid with revenue from charges for services and taxes	
Total	<u>\$ 45,242</u>

The District's calendar year 2006 capital budget calls for spending on capital projects, partially for the purchase of a hydro seeder and a trailer needed by the District. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

The District has not issued bonds and has no loans, mortgages, or other long-term debt.

ECONOMIC FORECAST AND FUTURE BUDGET

The District has continued to develop plans in the one to three year range. The District is in the process of expanding the garden in our Sunset Cemetery. (Called Garden 3). We are also planning on buying a trailer to carry the backhoe and to purchase a hydro seeder. The District believes that the current operations and the immediate future are very stable. We feel that there will not be any major changes in operations or any significant capital expenditures. Ongoing operations have been handled effectively with the current personnel and with the help of seasonal personnel, the District has been able to provide and maintain adequate Cemetery services. We are always striving to keep the Cemetery facilities in exceptional condition and will continue to use the available resources for these purposes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cemetery Sexton at 2651 Spanish Valley Dr., P. O. Box 64, Moab, Utah 84532.

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 16,279
Investments, unrestricted	56,091
Investments, restricted	24,587
Taxes receivable	76,979
	<hr/>
Total current assets	\$ 173,936
	<hr/>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	
Land	\$ 10,147
Improvements	18,689
Equipment	68,882
	<hr/>
Total noncurrent assets	\$ 97,718
	<hr/>
Total assets	\$ 271,654
	<hr/>
 <u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 889
Payroll taxes payable	879
Compensated absences	1,590
	<hr/>
Total liabilities	\$ 3,358
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 97,718
Restricted for:	
Capital projects	57,082
Unrestricted	113,496
	<hr/>
Total net assets	\$ 268,296
	<hr/>
Total liabilities and net assets	\$ 271,654
	<hr/>

"The accompanying notes are an integral part of this statement."

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<u>FUNCTION/PROGRAMS</u>				
Primary Government:				
Governmental activities:				
General government	\$ 181,076	\$ 12,943		\$ (168,133)
Total governmental activities	\$ 181,076	\$ 12,943	\$...	\$ (168,133)
General Revenues:				
Taxes				\$ 164,334
Miscellaneous				467
Sale of fixed assets				3,326
Investment earnings				3,705
Total general revenues, special items, and transfers				\$ 171,832
Change in net assets				\$ 3,699
Net assets - beginning				264,597
Net assets - ending				\$ 268,296

"The accompanying notes are an integral part of this statement."

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 16,279		\$ 16,279
Investments	23,596	\$ 57,082	80,678
Taxes receivable	76,979		76,979
	<hr/>	<hr/>	<hr/>
Total assets	\$ 116,854	\$ 57,082	\$ 173,936
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 888		\$ 888
Payroll taxes payable	879		879
	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 1,767	\$...	\$ 1,767
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Reserved for:			
Capital projects fund		\$ 57,082	\$ 57,082
Unreserved, reported in:			
General fund	\$ 115,087		115,087
	<hr/>	<hr/>	<hr/>
Total fund balances	\$ 115,087	\$ 57,082	\$ 172,169
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 116,854	\$ 57,082	\$ 173,936
	<hr/>	<hr/>	<hr/>

"The accompanying notes are an integral part of this statement."

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total fund balances - governmental fund types:	\$	172,168
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Land	\$	10,147	
Improvements		18,689	
Equipment		68,882	
		97,718	97,718

Compensated absences are not due and payable in the current period and are not reported in the funds.	\$	(1,590)	(1,590)

Net assets of governmental activities	\$	268,296

"The accompanying notes are an integral part of this statement."

GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

			TOTAL GOVERNMENTAL FUND
	GENERAL	CAPITAL PROJECTS	DECEMBER 31, 2005
REVENUES:			
Taxes	\$ 164,334		\$ 164,334
Charges for services	12,943		12,943
Miscellaneous	467		467
Interest revenue	2,907	\$ 798	3,705
Total revenues	<u>\$ 180,651</u>	<u>\$ 798</u>	<u>\$ 181,449</u>
EXPENDITURES:			
Current -			
General government	\$ 153,600		\$ 153,600
Capital outlay		\$ 45,242	45,242
Total expenditures	<u>\$ 153,600</u>	<u>\$ 45,242</u>	<u>\$ 198,842</u>
Excess of revenue over (under) expenditures	<u>\$ 27,051</u>	<u>\$ (44,444)</u>	<u>\$ (17,393)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in		\$ 55,000	\$ 55,000
Operating transfers out	\$ (55,000)		(55,000)
Sale of assets	3,326		3,326
Total other financing sources (uses)	<u>\$ (51,674)</u>	<u>\$ 55,000</u>	<u>\$ 3,326</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (24,623)</u>	<u>\$ 10,556</u>	<u>\$ (14,067)</u>
FUND BALANCE, January 1,	<u>139,710</u>	<u>46,526</u>	<u>186,236</u>
FUND BALANCE, December 31,	<u>\$ 115,087</u>	<u>\$ 57,082</u>	<u>\$ 172,169</u>

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(14,067)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$45,242) exceeded depreciation (\$25,886) in the current period.

19,356

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the increase in compensated absences of \$1,590.

(1,590)

Change in net assets of governmental activities	\$	3,699
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3,699

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 159,935	\$ 159,935	\$ 164,334	\$ 4,399
Charges for services	9,000	9,000	12,943	3,943
Interest revenue	5,500	5,500	2,907	(2,593)
Other income	1,000	1,000	467	(533)
Total revenues	\$ 175,435	\$ 175,435	\$ 180,651	\$ 5,216
EXPENDITURES:				
General government				
Salaries and benefits	\$ 114,500	\$ 114,500	\$ 112,106	\$ 2,394
Other operating expenses	53,000	53,000	41,494	11,506
Other	4,500	4,500		4,500
Capital outlay	15,000	15,000		15,000
Total expenditures	\$ 187,000	\$ 187,000	\$ 153,600	\$ 33,400
Excess of revenues over (under) expenditures	\$ (11,565)	\$ (11,565)	\$ 27,051	\$ 38,616
OTHER FINANCING SOURCES (USES):				
Operating transfers out			\$ (55,000)	\$ (55,000)
Sale of fixed assets			3,326	3,326
Total other financing sources (uses)	\$...	\$...	\$ (51,674)	\$ (51,674)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (11,565)	\$ (11,565)	\$ (24,623)	\$ (13,058)
Fund balances - beginning of year	12,000	12,000	139,710	127,710
Fund balances - end of year	\$ 435	\$ 435	\$ 115,087	\$ 114,652

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY CEMETERY MAINTENANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand County Cemetery Maintenance District has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, (as amended by GASB Statement No. 37) Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments. Certain significant changes in the Statement include the following:

1) The financial statement include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

This and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

A. Reporting Entity

Grand County Cemetery Maintenance District was established to provide central management, operational control, funding and fiscal responsibility for the construction, operation and management of cemetery maintenance and other related services. The District is governed by a Board of Directors appointed by the Grand County Council. The Board of Directors has all powers and duties in the operation of the District which are delegated to it by the Grand County Council, including: the power of eminent domain, the power to enter into contracts, selection of its domicile, setting of meeting times, adoption of regulations and bylaws for its operations, and the adoption of budgets. The County exercises no significant controlling powers over the District.

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statement was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations and accountability for fiscal matters. Using the above criteria, no other entities have been included in the District's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accruals revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources then unrestricted resources, as they are needed.

D. **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

E. **Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The District defines capital assets as assets with an initial individual cost of \$250 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, improvements, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	10 - 30
Equipment	5 - 25

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgeting

Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During November of each year, the District Manager submits to the Board a proposed operating budget for the next fiscal year commencing January 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending December 31.
- 2) Copies of the proposed budget are made available for public inspection and by review of the patrons of the District.
- 3) A public hearing is held prior to December 31 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, a public hearing is held.
- 4) Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Manager can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- 5) Minor interim adjustments in estimated revenue and appropriations during the year ended December 31, are included in the final budget approved by the Board, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the fund level.

G. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

H. Reservation of Fund Balance

The District records reservation for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditures in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established for encumbrances in the capital project fund. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

I. Compensated Absences

The District accrues vacation and sick time for full-time employees. Upon termination no payment will be made for unused sick time, but payment will be made for unused vacation time. This is the amount of Compensated Absences.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. **DEPOSITS AND INVESTMENTS**

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$17,436 and of this amount \$17,436 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

2. DEPOSITS AND INVESTMENTS (Continued)

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 80,678	\$ 80,678			
Total Investments	<u>\$ 80,678</u>	<u>\$ 80,678</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates by complying with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed.

2. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2005, the District had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 80,678				\$ 80,678
Total	<u>\$ 80,678</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 80,678</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had \$80,678 invested in the Public Treasurer's Investment Fund and was held by them.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Grand County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

3. PROPERTY TAXES (Continued)

As of December 31, 2005, property taxes receivable consist of delinquent taxes assessed but uncollected for calendar year 2005 and earlier. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes age-based fee as revenue when the County collects it.

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,147			\$ 10,147
 Total capital assets not being depreciated	 \$ 10,147	 \$...	 \$...	 \$ 10,147
 Capital assets being depreciated:				
Buildings	\$ 58,601			\$ 58,601
Improvements	45,850			45,850
Equipment	143,376	\$ 45,242	\$ (8,178)	180,440
 Total capital assets being depreciated	 \$ 247,827	 \$ 45,242	 \$ (8,178)	 \$ 284,891

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Less accumulated depreciation for:				
Buildings	\$ 58,601			\$ 58,601
Improvements	24,778	\$ 2,383		27,161
Equipment	<u>96,233</u>	<u>23,503</u>	<u>\$ (8,178)</u>	<u>111,558</u>
Total accumulated depreciation	<u>\$ 179,612</u>	<u>\$ 25,886</u>	<u>\$ (8,178)</u>	<u>\$ 197,320</u>
Total capital assets being depreciated, net	<u>\$ 87,571</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 87,571</u>
Governmental activities capital assets, net	<u>\$ 97,718</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 97,718</u>

5. **BUDGET COMPLIANCE**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - discloses budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2005, the District had an unfavorable variance in the General Fund.

6. **RESERVED FUND BALANCE**

Fund balance in the Capital Projects Fund has been reserved at December 31, 2005 as follows:

<u>Capital Projects Funds</u>	
Restricted funds – capital projects	<u>\$57,082</u>

7. **RELATED PARTY TRANSACTIONS**

The District does not have any related party transactions for the year 2005, nor are any individuals or companies deemed to be a related party.

8. **RETIREMENT**

The District did not participate in a retirement plan as of December 31, 2005.

9. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured through commercial companies for its general liability coverage. At December 31, 2005, the District had no claims or judgments against it related to the risks mentioned above.

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Grand County Cemetery Maintenance District
Moab, Utah 84532

RE: Report on Compliance and Other Matters
and on Internal Control Over Financial
Reporting Based On An Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of Grand County Cemetery Maintenance District, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Laura, Rich & Marsing".

Price, Utah

June 30, 2006

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Grand County Cemetery Maintenance District
P.O. Box 64
Moab, Utah 84532

Re: Report on Legal Compliance with Applicable
Utah State Laws and Regulations

Ladies/Gentlemen:

We have audited the financial statements of the Grand County Cemetery Maintenance District for the year ended December 31, 2005, and have issued our report thereon dated June 30, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Management
Purchasing Requirements
Budgetary Compliance
Purchasing Requirements

Truth in Taxation & Property
Tax Limitations
Special Districts
Other General Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of Grand County Cemetery Maintenance District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate letter issued June 30, 2006. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Grand County Cemetery Maintenance District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Smuin, Rich & Marsing".

Price, Utah

June 30, 2006

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
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DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Grand County Cemetery District
Board of Directors
P.O. Box 64
Moab, Utah 84532

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of accounting procedures and internal controls in connection with our examination of the general purpose financial statements of Grand County Cemetery District for the year ended December 31, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

STATE OF UTAH GENERAL REQUIREMENTS

BUDGETARY COMPLIANCE

Utah Code Section 10-6 states that Officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriations for any department or fund. Grand County Cemetery Maintenance District has expenditures in excess of the budget in the General Fund - Transfers.

We recommend that the District comply with Utah Code and ensure that expenditures are within the approved budget, adopted by the District.

Client's Response

The District will monitor the budget compliance more closely, review the expenditures in each fund, and compare the amounts to the adopted budget on a regular basis. If the District has expenditures that will exceed the approved budget, we will hold the necessary budget hearings and make adjustments accordingly.

SUMMARY

We feel the State Compliance issue mentioned above is an area where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing".

Price, Utah

June 30, 2006